

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS:**

Grade AA butter, in weekly trading, decreased 2 cents to \$2.7900. This is the first decrease in AA since March 1998.

In daily cash cheese trading, barrels closed at \$1.6950 on Friday, September 11, and blocks ended the week at \$1.7050. Today's closes are record highs for both barrels and blocks. The weekly average price for barrels is \$1.6625 and the block average is \$1.6750. Weekly averages are simple averages of the daily closing prices for the calendar week. Averages are computed by Dairy Market News for informational purposes.

In daily cash nonfat dry milk trading, the close on Friday, September 11, is \$1.1300 for Extra Grade and \$1.1600 for Grade A. The weekly average is \$1.1300 for Extra Grade and \$1.1600 for Grade A.

BUTTER: The market tone is unsettled. Current prices have many in the industry wondering how to proceed with purchases and ordering anticipated fall needs. Contacts speculate on where prices will "top out" and what short and long-term effect these high prices will have on the industry. Demand is reported in the fair to good range, but with retail prices more than \$4.00 per pound in many parts of the country, contacts wonder how long sales will hold up. Food service orders are holding up quite well as the generally good economy has more people dining out. Churning activity is light to moderate, generally light. Surplus cream volumes were up slightly this week and a little more cream moved to butter production.

CHEESE: The cash cheese market is firm. Current cheese offerings are tight, impacted by strong Class I demand from local schools and buyers in the milk deficit Southeast. As milk supplies tighten, less current cheese of all types, including cheddar, is produced, impacting cheddar volumes eligible to be traded on the Chicago Mercantile Exchange. Cumulative U.S. Cheddar cheese production totals 1.582 billion pounds during the first 7 months of 1998, off 20.0 million pounds (-1.3%) from the same period in 1997.

FLUID MILK: Milk production is following weather patterns throughout the country. In the Northeast, milk output is mostly steady. Cooler weather in the Southeast is expected to help milk production rebound. However, Southern buyers remain aggressive in seeking additional milk supplies. Florida handlers imported 239 loads this week, while other Southeastern states brought in approximately 425 loads from states as far away as the Southwest. Trucking and timely deliveries are becoming more of a problem for both buyers and sellers.

In the Midwest, cooler, less humid weather moved across the region causing milk output to rebound slightly. Manufacturing schedules are steady to lower, reflecting available milk volumes. Heat and humidity continued over most of the Southwest. In California, temperatures over 100 degrees and uncommon humidity pressured cow comfort and sent milk production lower. Load averages and tests dropped and many plants were receiving anywhere from 5 - 15% less milk than just a week ago. Milk production in the Pacific Northwest and Northern Mountain States is steady to slightly lower. Plants are reducing production runs in response to the lower receipts.

DRY PRODUCTS: Nonfat dry milk prices are noticeably higher and the market tone is firm. Plant offerings are limited in all regions. Drying activity is lighter due to declining milk production and increased Class I usage. The whey market is mostly steady. The diversion of milk to other destinations is limiting cheese and whey production. The WPC market is firm and prices are higher. Demand for dry and condensed WPC remains strong. The buttermilk market and prices are steady to firmer. Production levels are lower, corresponding to lower churning schedules and continued good demand for condensed buttermilk.

CCC: During the week of September 8 - 11, there were no CCC purchases, but 2,241,894 pounds of previously offered Western NDM was canceled.

DAIRY PRODUCTS (NASS): Butter production was 67.0 million pounds in July, 16.3% below July 1997 and 7.7% below June 1998. American type cheese production totaled 277.8 million pounds, 2.6% below July 1997 and 3.5% below June 1998. Total cheese output (excluding cottage cheese) was 612.1 million pounds, 0.2% below July 1997 and 4.5% below June 1998. Human food nonfat dry milk production totaled 90.0 million pounds, 19.4% below July 1997 and 13.6% below June 1998. Human food dry whey production was 97.6 million pounds, 1.2% above July 1997 and 1.5% above June 1998.

AUGUST AGRICULTURAL PRICES HIGHLIGHTS (NASS): The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in August 1998 was unchanged at 115. Compared with August 1997, the index was down 2 points (1.7%). The index of prices received by farmers for dairy products advanced 9 points during the month of August 1998 to 117. Compared with August 1997, the index was up 20 points (20.6%). On a 3.5% butterfat basis, prices received by farmers in August with changes from July were: for All Milk, \$15.23, up \$1.17; Fluid Grade Milk, \$15.23, up \$1.15; and for Manufacturing Grade Milk, \$14.30, up 41 cents.

****SPECIALS THIS ISSUE****

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CHICAGO MERCANTILE EXCHANGE CASH TRADING

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-42,000 lbs.

PRODUCT	MONDAY SEP 7	TUESDAY SEP 8	WEDNESDAY SEP 9	THURSDAY SEP 10	FRIDAY SEP 11	WEEKLY AVERAGE*
CHEESE BARRELS		\$1.6325 (N.C.)	\$1.6575 (+.0250)	1.6650 (+.0075)	1.6950 (+.0300)	\$1.6625
40# BLOCKS	H O	\$1.6575 (N.C.)	\$1.6575 (N.C.)	1.6800 (+.0225)	1.7050 (+.0250)	\$1.6750
NONFAT DRY MILK EXTRA GRADE	L I	\$1.1300 (+.0125)	\$1.1300 (N.C.)	1.1300 (N.C.)	1.1300 (N.C.)	\$1.1300
GRADE A	D A	\$1.1600 (+.0300)	\$1.1600 (N.C.)	1.1600 (N.C.)	1.1600 (N.C.)	\$1.1600
BUTTER GRADE AA	Y	----	----	----	2.7900 (-.0200)	----

* Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

Trading Activity - September 7 - 11, 1998

MONDAY, SEPTEMBER 7, 1998 -- NO TRADING

TUESDAY, SEPTEMBER 8, 1998

CHEESE -- SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS @ \$1.6325; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.6575

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: 1 CAR EXTRA GRADE @ \$1.1300, 1 CAR GRADE A @ \$1.1600; OFFERS UNCOVERED: NONE

WEDNESDAY, SEPTEMBER 9, 1998

CHEESE -- SALES: 5 CARS 40# BLOCKS @ \$1.6575; BIDS UNFILLED: 9 CARS BARRELS: 7 @ \$1.6575, 2 @ \$1.6500; OFFERS UNCOVERED: NONE

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE A @ \$1.2000

THURSDAY, SEPTEMBER 10, 1998

CHEESE -- SALES: 15 CARS 40# BLOCKS: 2 @ \$1.6700, 2 @ \$1.6800, 2 @ \$1.6775, 1 @ \$1.6800, 2 @ \$1.6750, 2 @ \$1.6775, 2 @ \$1.6800, 1 @ \$1.6775, 1 @ \$1.6800; BIDS UNFILLED: 3 CARS 40# BLOCKS: 1 @ \$1.6700, 2 @ \$1.6575; 11 CARS BARRELS: 3 @ \$1.6650, 1 @ \$1.6625, 7 @ \$1.6575; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.7500

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE A @ \$1.1800

FRIDAY, SEPTEMBER 11, 1998

CHEESE -- SALES: 4 CARS 40# BLOCKS: 3 @ \$1.7000, 1 @ \$1.7050; BIDS UNFILLED: 4 CARS 40# BLOCKS: 1 @ \$1.7050, 3 @ \$1.7000; 11 CARS BARRELS: 7 @ \$1.6950, 1 @ \$1.6850, 1 @ \$1.6800, 1 @ \$1.6675, 1 @ \$1.6650; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.7500

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS: 1 @ \$2.7900, 1 @ \$2.8025, 1 @ \$2.8050

BUTTER MARKETS**JULY BUTTER PRODUCTION**

July U.S. butter production, at 67.0 million pounds, was 16.3% lower than last July and 7.7% lighter than June 1998. Output for the first seven months of the year totals 652.6 million pounds, 9.9% lower than the comparable period in 1997. July output compared to last year for selected states is as follows: California down 57.9%, Washington down 31.0%, Minnesota down 20.5%, Pennsylvania down 17.9%, with Wisconsin 7.9% higher.

NORTHEAST

The premium structure is unchanged. On September 4, Grade AA butter at the CME increased a one-day record \$.4675 to \$.28100. Each increase in the butter price is a record high. Contacts are reeling from such a jump. Butter is reported, by some, as very tight, but forty-four loads were traded. In the last five weeks, 138 loads of butter were sold during CME trading. Most contacts are still assessing this record jump and price level. Some contacts feel that prices this high will quickly impact retail sales. Retail prices were already well over \$3.00 per pound and it is assumed that this jump will force retail prices over \$4.00 per pound in some areas. What impact this will have as the holiday season orders is being discussed. Cream supplies are tight and churning activity is limited to a few days a week.

CENTRAL

As in past weeks, butter producers and handlers are adjusting to the higher cash butter price at the Chicago Mercantile Exchange (CME). The past week's \$.4675 increase has many questioning where the price is headed. Stocks of butter are reported to be in close balance to short of desired levels. In most instances, producers and handlers are able to balance supply with demand, although some buyers are still looking for butter on a spot basis. Retail orders remain quite good. Buyers are quite surprised at the level of retail sales in light of recent CME cash price increases. Many are stating that shelf prices in retail stores are not increasing as rapidly as the cash price has. Food service orders are lighter this week as most buyers assess inventory levels after the past holiday weekend and the unofficial

end of the summer vacation season. In years past, September has been a butter demand transitional period. Typically, food service orders slow and retail sales improve due to changes in at home eating patterns as vacations end and students return to classes.

WEST

Western butter differentials weakened a bit in the face of the record daily increase setting a new record close again. Buyers still want butter, but they are very mindful of their current inventory positions. No one wants any extra butter if prices start to collapse. Contacts are very concerned what the ongoing record setting price moves may mean if/when the market turns around. The consensus is that it may be a very fast correction. Retail sales are being called remarkably steady by most contacts at these price levels. Many are holding their breath hoping that the situation maintains itself. Some expected slowing on food service has occurred related to the ending of the summer vacation season. Many calls were placed from sellers this week wondering how to explain this summer's price run up to buyers. Small ice cream operations seem to be hardest hit by the rapid price increases. Many ice cream operations price end product ahead and don't have a ready way to recoup price increases. Milk production continues to fall quite rapidly and schools are taking additional supplies of milk. Cream movement remains quite good. Churns would sooner sell cream than churn butter at this time. Bulk butter offerings are limited.

WHOLESALE SELLING DIFFERENTIALS, F.O.B. PRODUCING PLANTS, TRUCKLOAD QUANTITIES.

FIGURES REPRESENT THE RANGE IN PREMIUMS OR DISCOUNTS (CENTS/POUND) FROM THE CME GRADE AA CASH BUTTER CLOSE SEPTEMBER 4, 1998 CLOSE = \$.28100

STYLE	NORTHEAST	CENTRAL	WEST
BULK	+3 TO +5	flat TO +4	-2 TO +2

NASS CHEDDAR CHEESE PRICE SURVEY

WEEK ENDING	40# BLOCKS			640# BLOCKS		BARRELS (adjusted to 39% moisture)		
	MN/WI	WEST	U.S.	U.S.		MN/WI	OTH STATES	U.S.
SEPTEMBER 4	1.6713	1.6258	1.6403	1.6169		1.5242	1.4666	1.4907
	1,563,636	3,951,232	5,605,607	921,834		2,713,960	3,691,872	6,405,832

Further data and revisions may be found on the Internet at: <http://usda.mannlib.cornell.edu/reports/nassr/price/cheddar/>

CHEESE MARKETS

NORTHEAST

Prices are unchanged to higher on process; unchanged on the balance. The market tone is unsettled. The trade is trying to adjust to the CME switching to daily trading and how they are pricing their weekly shipments. Most have decided on using a weekly average as their basing point. In the Northeast, cheese production is lighter as more milk is leaving the region plus most schools are now open for the new school-year which results in greatly reduced surplus milk volumes. Cheese stocks are adequate for current needs. Retail demand is fair, but improving now that vacation season is over and home shopping habits fall into "normal" patterns. Food service orders are mixed. They are slowing in resort areas, but improving in urban and college communities.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.6600-2.1400
Cheddar Single Daisies	:	1.6300-2.1450
Cheddar 40# Block	:	1.7950-1.9450
Process 5# Loaf	:	1.6950-1.9200
Process 5# Sliced	:	1.7225-1.9800
Muenster	:	1.8275-2.1525
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The cheese market is steady to firm. At the Chicago Mercantile Exchange after the first week of daily trading, barrels advanced a total of 14 cents to close on September 4 at \$1.6325 and blocks held steady all week at \$1.6575. The previously wide barrel/block spread has narrowed to just 2.5 cents on the daily market. Confusion is occurring by some in the industry on whether to price cheese daily or use some kind of weekly average. Most firms using an average, at least on barrels, seem to be rounding the number to the nearest quarter cent to facilitate the moisture adjustment. Tight milk supplies, aided by the seasonal increase in school milk demand, have reduced overall cheese production and spot offerings. Current barrel supplies are limited after reductions in output in recent weeks due to the wide spread. The limited current barrel offerings are a problem, particularly for processors making sliced process. Barrels with more age on are more available. For most companies, the normally much more expensive low fat/reduced fat versions are now cheaper to produce than "regular varieties" due to the record high butter/butterfat prices. Milk intakes were impacted by recent heat and humidity, but cooler weather has helped reduce the impact after the holiday.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.7550-1.8700
Brick And/Or Muenster 5#	:	1.9500-2.1400
Cheddar 40# Block	:	1.9150-1.9700
Monterey Jack 10#	:	1.9150-2.1400
Blue 5#	:	2.2650-2.5100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9150-2.0300
Grade A Swiss Cuts 6 - 9#	:	2.4000-2.4850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	SEPTEMBER 7 - 11, 1998
BARRELS*	:	\$1.5650 - 1.5950 (NOMINAL)
	:	(\$0.0825) (.0825)
40# BLOCKS	:	\$1.6575 - 1.6925 (NOMINAL)
	:	(\$0.0100) (.0050)

() Change from previous week. * If steel, barrel returned.

WEST

Process cheese prices continue to firm in relation to natural items. Contacts state that the wide barrel/block spread at the CME of the past few weeks did signal to plants to cut barrel cheese production. This tighter situation with firming prices is the result. Therefore, the price is more related to the tight supply situation than a firm demand side. Some producers are now adjusting work schedules to increase barrel output again. Blocks are in close balance, but not short. Some additional offerings are noted. Swiss cheese is in good balance. Mozzarella offerings are increasing, a change from the past few weeks. American type cheese production in July was down 2.6% from last year, Italian type was up 1.2%, and total cheese was down 0.2% from July 1997. Swiss output, at 18.6 million pounds, was up 3.2% from last year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.7800-1.9975
Cheddar 40# Block	:	1.8200-1.9200
Cheddar 10# Cuts	:	2.0000-2.1800
Monterey Jack 10#	:	2.0100-2.1425
Grade A Swiss Cuts 6 - 9#	:	2.3600-2.4300

FOREIGN TYPE

Prices and the market tone are unchanged. Demand, at retail, for table cheeses is mostly steady, but sales often start to improve after Labor Day, the unofficial end of vacation season. The demand for imported processing solids is fairly good and reports of cheddar being imported for processing continue. Stocks of most types of cheese are adequate for current needs.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 1.9925-2.6025
Gorgonzola	: 3.2400-5.9400	: 2.4900-2.6875
Parmesan (Italy)	: TFEWR	: 3.4025-3.4425
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.6650-2.1925
Romano (Cows Milk)	: -0-	: 3.1700-3.5125
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
09/07/98	7,485	110,314
09/01/98	7,513	110,416
CHANGE	-28	-102
% CHANGE	N.C.	N.C.

Based on the historical relationship of the preliminary U.S. Cold Storage report of July 31 and the selected centers storage report, the expected U.S. holdings as of Sept. 1 are:

Butter	42 million pounds plus or minus 4.34 percent
Cheese	456 million pounds plus or minus 5.30 percent

FLUID MILK AND CREAM

E A S T

Following the announcement of the August BFP, Eastern Milk Market Administrators announced changes to their class prices. The August BFP is \$14.99, up \$.22 from July. In all Eastern orders the October Class I & II prices will be \$.22 higher than September. The August Class III prices are \$.29 above July in orders 1, 2, and 4; \$.22 higher in other orders. The August Class III-A is \$16.62 in orders 1 & 2, \$16.64 in order 4, and \$16.52 in all other Eastern orders. The butterfat differential is \$0.245. Again, weather highlights this week's conversations. Over the Labor Day weekend, a big storm hit upstate New York and parts of Pennsylvania and New Jersey. High winds knocked down trees, destroyed buildings, and caused widespread power losses which disrupted farm picks, deliveries, and processing schedules. Power losses ranged from several hours to a several days. As of Wednesday, many communities around Syracuse, NY were still without power. Milk production is mostly steady. Cooler weather in the Southeast is expected to help milk output rebound. It was too early to get definitive production figures. However, the need for milk is very high and shipments into Florida and other Southeastern states are very high. Florida handlers imported 239 loads this week. For the comparable week last year, 133 loads were shipped into Florida. Handlers in other Southeastern states brought in approximately 425 loads from states as far away as California, New Mexico, Texas, Minnesota, Iowa, and Wisconsin. Quite a bit of milk also came from the Middle Atlantic and other Northeastern States. Trucking and timely deliveries are becoming more of a problem for both sellers and buyers. Bottled milk sales in the Northeast were disrupted by the weekend storm as many schools were forced to delay opening for the new year. Further south, contacts report that school lunch pipelines may be filled as some suppliers are getting a few cancellations from bottlers. Retail sales of bottled milk are about steady. The condensed skim market is unsettled. First, there is little product being made and offered on the spot market and, second, the high price of butter/butterfat is occasionally forcing wet solids prices lower. There is already growing speculation that August's Class III-A milk price will approach or exceed \$20.00 with a butterfat differential over \$0.33. What that could do to skim solids prices is being discussed. The fluid cream market is very firm pricewise, but unsettled demandwise. Following the 46+ cent increase in the CME butter price, cream prices are sharply higher. Prices are approaching \$4.00 per pound fat. Spot demand is slowing as buyers seem more reluctant to make purchases at these prices. There was a little more cream available this week and traders report having to work harder to move it. Ice cream and cream cheese producers are very concerned about fat costs rising so fast and how price increases will impact retail consumption. Some operations have reduced schedules to the point where they are taking the time to perform plant maintenance. Churning activity is light to moderate.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. Producing Plants: Northeast	-	3.6530 - 3.9902
Delivered Equivalent Atlanta	-	3.6530 - 3.9340 M 3.7092 - 3.8778
F.O.B. Producing Plants: Upper Midwest	-	3.5968 - 3.8080

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. Producing Plants: Northeast	-	.8000 - 1.0500
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M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
SEPTEMBER 4 - 10, 1998	78
PREVIOUS WEEK	23*
COMPARABLE WEEK IN 1997	82

DESTINATIONS: ALABAMA 12, FLORIDA 35, KENTUCKY 22, MISSOURI 3, TENNESSEE 6

*REVISED

Local Class I milk demand was less chaotic than the pre-holiday week, though still at good levels. This allowed handlers to ship additional milk South. Southern buyers remained aggressive in seeking additional milk supplies. For those able to find milk, finding a truck/trucker, or delayed truck arrivals, remained a problem due to capacity limits at the facilities. Besides the loads

listed, 16 loads of Wisconsin milk were shipped to Ohio and 6 to Michigan. Also, besides the milk shipments reported, 21 loads of Wisconsin milk are "direct shipped" to Tennessee and 42 loads to Missouri and pooled under a Southern Federal Order. Last week's total was revised to add another load to Tennessee. Loads from Iowa, Michigan, and Minnesota were also flowing to other buyers in the South as well as between orders within the region. Reported Class I premiums ranged mostly in the \$4.00 - 5.00 area, with a very few around \$6.00 over class. Manufacturing milk interest is steady to lighter with premiums of \$3.00 - 4.00 over class, on a limited test. Manufacturing schedules are steady to lower, reflecting available milk volumes. Cooler, less humid weather moved through the region, causing milk volumes to rebound somewhat at a number of locations within the region. High cream prices, caused by record high butter prices at the Chicago Mercantile Exchange again last week (\$2.81), has impacted profitability for ice cream and cream cheese manufacturers. Cream interest is off from some buyers due to price. Many areas of the region remain dry, but rain now will not help most crops. Farmers are actively filling silos and bags with corn and haylage.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEPTEMBER 3-9	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.00- 38.00	\$ 34.00- 40.50
REPLACEMENT HEIFER CALVES	\$160.00-210.00	\$120.00-160.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	SEPTEMBER 3-9	PREVIOUS YEAR
SLAUGHTER COWS	\$ 32.00- 37.50	\$ 34.00- 38.00

W E S T

Heat and humidity continued over most of the Southwest during the past week. In California, temperatures of more than 100 degrees and uncommon humidity pressured cow comfort and sent milk production lower. Load averages and tests dropped and many plants were receiving anywhere from 5 to 15% less milk than just a week ago. Fluid milk demand is good, attributed to the start of schools in California. Milk continues to be moved around the state to keep fluid plants in milk. Demand for cream remains good in spite of a 20% increase (and a new record high of \$2.81) in the Grade AA butter price last week at the CME. Western multiples remain in the mid 110 to mid 120's. Cream usage in California is higher, especially as cream users plug the numbers and see that the state cream prices will be stratospheric in October/November. Cream supplies are noted as adequate to short. Cream is being shipped within the region and to Midwestern states. Butter makers are trying to keep inventory levels as low as possible, in the event that prices drop, to avoid losing money on stocks. Most are doing this by selling cream and not churning and then selling extra butter. The weather is affecting fat tests of milk. Milk production is rated as steady to slightly lower by most producers in the Pacific Northwest. Weather conditions remain very dry and they have cooled off seasonally. Most producers and plants continue to complain about the low tests on milk across the entire region. Many are commenting that these are record low tests. No one has a very good explanation about why this is happening. Some producers are definitely looking at expansion plans due to the present cost/return ratios. The domestic heifer market is limiting some of these plans. Prices have jumped \$3-500 over the past few weeks and not many are available even at the higher prices. Many operations are now looking at Canada as a good source of heifers to expand their herds. An unknown quantity of heifers has crossed the border and more are poised to come south. Some in the Canadian industry are wondering what impact this will have on their milk production in the short and medium term. The corn crop for silage looks to be in very good shape with initial harvesting probably 2-3 weeks off. Hay quality remains a concern in the Northwest. Later cuttings should be yielding better quality hay, but it doesn't seem to be coming on the market. Prices are also higher than expected. Milk output is more variable in the Northern Mountain States. Some are reporting a decline in receipts even with the very mild weather. Plants are reducing production runs in response to lower receipts. Hay is becoming more reasonably priced in the region and the quality is improving. Hay shipments within the region and also to other areas are picking up earlier than normal. Some of the lower quality hay is leaving the area for regions that have suffered from the drought this summer. With the change in the barrel/block price relationship, milk is now moving around the region into the most efficient outlets for processing.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 09/10/98 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Prices are noticeably higher and the market tone is firm. Demand is very good and offerings are rapidly absorbed when found. Producer availability is extremely tight. The majority of sales are taking place through resellers at premiums, often three to four cents higher than producer prices. High heat supplies are also in immediate demand at higher prices. Production has ceased at the majority of plants in the region. U.S. production of human food NDM during July totaled 90.0 million pounds, down 19.4% from last year and 13.6% less than June. (Combined MN and WI production during July totaled 1,015,000 pounds.) Manufacturers' stocks at the end of July totaled 115.3 million pounds, 27.3% lower than last year and 10.8% less than last month.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: 1.0700 - 1.1200 MOSTLY: 1.0700 - 1.0900

DRY BUTTERMILK - CENTRAL

Prices are higher on the bottom of the range, however the market tone is mostly steady. Producer offerings are available, but trading activity is often slow. Condensed buttermilk sales remain strong. Production levels are lower as butter producers limit churning schedules. During July, dry buttermilk production totaled 2.8 million pounds, down 6.0% from last year and 18.3% lower than June. End-of-month stocks totaled 4.7 million pounds, up 32.9% from a year earlier, but 13.9% lower than last month.

BUTTERMILK: .9350 - .9900

DRY WHEY - CENTRAL

Prices are higher on the top end of the mostly and the market undertone is showing slight strength. Demand ranges from steady to often better. Producers continue to obtain typical premiums, while resellers have narrowed their offering price ranges. Product availability is not a problem from most sources. The diversion of milk from the cheese vats to other destinations continues to limit whey production. Most producers indicate stocks are closely balanced. U.S. production of human food whey during July totaled 97.6 million pounds, 1.2% more than last year and 1.5% higher than last month. End-of-July stocks, at 36.6 million pounds, are 6.7% higher than last year and 8.6% above June. Production in July with changes from 1997 are: Wisconsin, 26.2 million pounds, down 10.4% and Minnesota, 9.9 million pounds, up 4.9%.

NONHYGROSCOPIC: .2750 - .3000 MOSTLY: .2800 - .2850

ANIMAL FEED WHEY - CENTRAL

Prices are mixed. Milk replacer is unchanged; standard and roller ground are higher; and, delactose is fractionally lower. Feed grade supplies are available, but buyer demand is limited. Although cooler weather and low grain prices are favorable for the animals, slaughter prices remain extremely low. As a result, feed sales are lower than desired. Demand for delactose is increasing. Some producers are adjusting prices as lower milk protein levels affect product protein percentages. Stocks range from in balance to short of needs. July U.S. animal feed, dry whey production totaled 6.0 million pounds, 14.6% higher than last year but 22.2% less than June. Month-ending stocks were 3.7 million pounds, 6.4% more than last year and 0.2% higher than last month. Animal feed, reduced lactose and minerals whey production during July totaled 2.8 million pounds, 16.8% more than last year but 2.4% less than June; while all stocks (animal and human), at 12.3 million pounds, were 6.6% less than last year.

MILK REPLACER: .2400 - .2700
STANDARD: .2200 - .2350
ROLLER GROUND: .2900 - .2975
DELACTOSE (Min. 20% protein): .3275 - .3600

LACTOSE - CENTRAL AND WEST

Prices and the market tone are unchanged. Demand remains slow with a limited number of spot trades reported. Producers are optimistic that contract volumes for the fourth quarter will be steady to higher. Lactose usage normally increases during the holiday seasons, especially for bakeries and confectionaries. U.S. lactose production during July totaled 40.1 million pounds, up 2.1% from last year and 6.2% higher than June. End-of-July stocks, at 33.0 million pounds, are 27.7% higher than last year but 4.3% below last month. Production in July with changes from 1997 are: Minnesota, 10.2 million pounds, down 7.0%; and Wisconsin, 8.4 million pounds, down 1.9%.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .1625 - .2400 MOSTLY: .1750 - .1900

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices continue to adjust higher and the market tone remains firm. Demand is very good for dry and condensed WPC. Supplies remain tight from producers and resellers. Production of WPC is being limited as manufacturers sell cream and milk at very profitable prices. Inventories are short at most plants. Some producers are unable to completely cover contract needs. U.S. production of human food WPC during July totaled 22.3 million pounds, a 30.7% increase from last year and a 5.7% increase from the previous month. Manufacturers' stocks at the end of July totaled 13.1 million pounds, 54.9% higher than last year and 4.2% above last month.

EXTRA GRADE 34% PROTEIN: .5850 - .6200 MOSTLY: .6050 - .6125

NONFAT DRY MILK - WEST

Spot sales prices continue to increase for both ranges. The market tone remains firm. Plant offerings are limited and some producers are only quoting prices. High heat prices are nominal in limited trading. Drying schedules are trending lower in most of the region. In the Southwest, drying in down due to the declining milk production caused by hot/humid weather and the fluid needs of school lunch programs starting. Supplies are generally short of current trade needs. Contacts have commented on the possibility of CCC sellback of NDM to the trade. However, the if/when, sellback price, volumes, and other details, are still being evaluated. Some contacts are concerned over the impact sellbacks could have on the current market firmness. Stock levels are mostly light and held with confidence. The CME daily cash NDM market increased early in the week on bids with no actual sales transacting. U.S. NDM production in July totaled 90.0 million pounds, down 19.4% from last year and 13.6% lower than June. Stocks at the end of the month were reported at 115.3 million pounds, down 27.3% from last year and 10.8% less than last month. July production in California totaled 41.4 million pounds, down 18.0% from last year, and Washington output totaled 11.9 million pounds, down 34.6% from a year ago.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0600 - 1.1300 MOSTLY: 1.0800 - 1.1200
HIGH HEAT: 1.1000 - 1.1650

DRY BUTTERMILK - WEST

Prices are slightly higher and the market tone remains on the firm side. Buying interest and offerings are balanced at light levels. Limited churning schedules are ultimately allowing little buttermilk to be dried. Inventory levels remain light. U.S. buttermilk powder production in July totaled 2.8 million pounds, down 6.0% from last year and 18.3% lower than June. Stocks at the end of the month were reported at 4.7 million pounds, up 32.9% from a year earlier but 13.9% lower than June.

BUTTERMILK: .9500 - 1.0100 MOSTLY: .9600 - .9900

DRY WHEY - WEST

No price changes are noted for Western whey powder. The market is steady. Offerings range from fully committed to a little heavier. Domestic demand is steady at good levels. Existing export sales continue to be shipped, but new deals are slow to develop. Current production is declining faster than most sellers had anticipated. Any stocks are held with confidence. Offerings of down graded powder due to high counts and high fat content are higher. U.S. whey output in July totaled 97.6 million pounds, up 1.2% from July 1997. Stocks at the end of the month are up 6.7% from last year at 36.6 million pounds.

NONHYGROSCOPIC: .2350 - .2575 MOSTLY: .2350 - .2425

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended September 4, on powder sales of 10,065,466 pounds f.o.b. California manufacturing plants was \$1.0446 per pound. This compares to 11,291,838 pounds at \$1.0395 for the previous week ending August 28, 1998. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices are generally higher and nominal. The market tone is firm. Producers/users/traders report that NDM stocks are very tight, particularly at the producing plant. With all the milk that is going to meet Class I needs, most Eastern dryers are operating on reduced schedules. Because of all the milk shipments and good demand for condensed skim, some plants haven't dried in nearly two months and others are barely making enough to meet commitments. Some have purchased powder from other regions to supplement their own production shortfalls. Demand is fair to good, but the tight supply is amplifying buying interest. Spot needs are often being filled with resale powder and occurring at or near the CME trading levels which were bid higher early this week. Production of human food, nonfat dry milk during July 1998 totaled 90.0 million pounds, down 19.4% from July 1997 and 13.6% less than June 1998. Month ending stocks, at 115.3 million pounds, are 27.3% below a year ago and 10.8% less than last month.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: 1.0600 - 1.0900

HIGH HEAT: 1.0900 - 1.1200 MOSTLY: 1.1000 - 1.1200

DELVD SOUTHEAST:

ALL HEATS: 1.0825 - 1.1400

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to higher and the market tone is firm. Production levels are lighter and correspond to lower churning schedules and continued good demand for condensed buttermilk. Producer stocks are light. Spot demand is fair to improved. Some contacts reported increased interest during the past couple weeks. Dry buttermilk production during July 1998 totaled 2.8 million pounds, down 6.0% from July 1997 and down 18.3% from June 1998. Month ending stocks, at 4.7 million pounds, are 32.9% more than a year ago but 13.9% less than last month.

F.O.B. NORTHEAST: .9500 - .9800

DELVD SOUTHEAST: .9700 - 1.0275

DRY WHOLE MILK - NATIONAL

Prices are steady to sharply higher. Some of the increases were due to the twenty-two-cent jump in the BFP. However, Western produced whole milk prices are also directly impacted by the butter price and increases, there, were much higher than the BFP jump would indicate. Production ranges from lighter to steady. Producer stocks are closely balanced with needs and domestic demand is generally fair. No new DEIP bid acceptances have been reported in the past several weeks. Dry whole milk production during July 1998 totaled 11.0 million pounds, up 0.7% from July 1997 and down 13.6% from June 1998. Month ending stocks, at 7.3 million pounds, are 25.0% above a year ago and 3.5% more than last month.

F.O.B. PRODUCING PLANT: 1.5750 - 1.8500

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1998 THROUGH SEPTEMBER 4, 1998
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 32,066 MT (70,692,703 LBS)
CHANGE -- 548 MT (1,208,121 LBS)

WHOLE MILK POWDER -- 1,880 MT (4,144,648 LBS)

CHEESE -- 1,181 MT (2,603,633 LBS)
CHANGE -- 71 MT (156,527 LBS)

continued

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly unchanged. The market tone is steady. Production levels are often lighter as surplus milk supplies are down in many areas. However, because demand is generally lackluster, the lower output is having less of an impact on the market. Producers continue to report a tight to sold out inventory position. Any spot needs are often filled from the resale side of the market. Production of human food, dry whey during July 1998 totaled 97.6 million pounds, 1.2% more than July 1997 and 1.5% more than June 1998. Month ending stocks, at 36.6 million pounds, are 6.7% above a year ago and 8.6% more than a month ago.

F.O.B. NORTHEAST: EXTRA GRADE .2800 - .2875

USPH GRADE A .2850 - .2950

DELVD SOUTHEAST: .3150 - .3250

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. Offerings of dry whey to animal feed makers range from light to adequate. Demand is steady for finished animal feed and its ingredients. Spot sales to buyers of animal feed whey are slow to fair depending on price. Production of dry, animal feed whey during July totaled 6.0 million pounds, 14.6% more than July 1997, but 22.2% less than June 1998.

F.O.B. NORTHEAST: MILK REPLACER TFWER

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are mostly steady as producers try to build some inventory ahead of anticipated needs. However, with all the demand for Grade A milk in the Southeast, milk receipts at some plants has been dropping. With Class III milk prices continuing to rise, producers are again looking at adjustments to allowances. Demand is fair to occasionally good as buyers try to buy ahead of milk price increases. Canned evaporated milk production during July 1998 totaled 38.3 million pounds, 11.3% less than July 1997 and 11.1% less than June 1998. Month ending stocks, at 49.6 million pounds, are 34.4% more than a year ago and 13.7% above last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$23.62 - 33.00

Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein prices are unchanged. The market tone is steady to weak. Weakness in current markets is being attributed to spot offerings at lower prices. Stocks of both rennet and acid are readily available under both contract and on a spot basis. In most instances, buyers are not taking advantage of spot availability due to regular shipments meeting current needs.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.0500 - 2.1000

ACID: 1.9500 - 2.1000

DEIP SUMMARY (continued)

BUTTERFAT -- 0 MT

REALLOCATED NDM -- 16,357 MT (36,060,642 LBS)

Allocations for the DEIP year beginning July 1, 1998, are:

Nonfat dry milk - 84,212 MT; Whole Milk Powder - 5,003 MT;

Cheese - 3,350 MT; Butterfat - 29,854 MT.

AUGUST AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in August 1998 was unchanged at 115. Compared with August 1997, the index was down 2 points (1.7 percent). The index of prices received by farmers for dairy products advanced 9 points during the month of August 1998 to 117. Compared with August 1997, the index was up 20 points (20.6 percent).

On a 3.5 percent butterfat basis, prices received by farmers in August with changes from July were: for All Milk, \$15.23 per hundredweight (cwt.), up \$1.17; Fluid Grade Milk, \$15.23 per cwt., up \$1.15; and for Manufacturing Grade Milk, \$14.30 per cwt., up 41 cents.

SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., AUGUST 1998 WITH COMPARISONS

STATE	All-milk price <u>1/</u> <u>3/</u>				Milk cows <u>5/</u>		Cows <u>6/</u>		All hay baled <u>7/</u>	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	JULY		AUGUST		AUGUST		AUGUST		AUGUST	
	1998 <u>2/</u>	1997 <u>2/</u>	1998 <u>4/</u>	1997 <u>2/</u>	1998	1997	1998 <u>7/</u>	1997 <u>8/</u>	1998	1997
CA	14.20	11.56	15.23	12.04	PRICES PUBLISHED JANUARY, APRIL, JULY AND OCTOBER		34.50	37.00	95.00	111.00
ID	14.19	11.14	14.85	12.23			33.80	33.60	89.00	106.00
MI	13.56	12.44	15.05	12.81			32.00	38.10	92.00	98.00
MN	14.92	11.76	15.13	12.86			36.00	36.30	71.00	91.00
NY	13.78	12.18	15.30	12.75			---	---	85.00	79.00
OH	13.06	11.88	14.85	12.27			33.00	35.70	89.00	143.00
PA	13.69	12.83	14.88	13.11			35.70	35.50	114.00	128.00
TX	13.70	12.56	14.95	12.88			30.70	35.40	95.00	73.00
WA	14.47	12.16	15.73	12.45			---	---	104.00	115.00
WI	14.98	11.78	15.55	12.91			34.70	36.70	72.00	81.00
U.S.	14.06	12.08	15.23	12.66			33.70	36.40	88.50	99.00

1/ Prices converted to 3.5 percent butterfat. 2/ Partially revised. 3/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 4/ Preliminary. 5/ Animals sold for dairy herd replacement only. 6/ Beef cows and cull dairy cows sold for slaughter. 7/ Mid-month price. 8/ Entire month.

MILK AND PARITY PRICE RELATIONSHIPS AND OTHER GENERAL PRICE MEASURES, U.S., AUGUST 1998 WITH COMPARISONS 1/

ITEM	AUGUST 1997	JULY 1998 <u>2/</u>	AUGUST 1998 <u>3/</u>
PRICES (converted to 3.5 percent butterfat) received by farmers for:			
All milk Dol. per cwt.	12.66	14.06	15.23
Fluid grade milk Dol. per cwt.	12.78	14.08	15.23
Manufacturing grade milk Dol. per cwt.	11.77	13.89	14.30
INDEX NUMBERS for:			
Prices received by farmers for dairy products (1990-92 = 100) Index	97	108	117
Prices paid by farmers for commodities and services, interest taxes, and wage rates (1990-92=100) Index	117	115	115
PARITY PRICE for all milk Dol. per cwt.	29.50	29.30	29.30
PARITY EQUIVALENT price for manufacturing grade milk Dol. per cwt.	26.79	26.63	26.63
MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk <u>4/</u>	2.35	2.98	3.57

1/ Parity prices are based on data for the current month. Parity price equivalent during 1998 is 90.9% of the parity price of all milk sold to plants, compared with 90.8% in 1997. 2/ Partially revised. 3/ Preliminary. 4/ Reporting change; the feed price measure used to compute the previous data series has been discontinued. For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay.

SOURCE: "Agricultural Prices," Pr 1 (8/98), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

JULY 1998 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 67.0 million pounds in July, 16.3 percent below July 1997 and 7.7 percent below June 1998. **AMERICAN TYPE CHEESE** production totaled 277.8 million pounds, 2.6 percent below July 1997 and 3.5 percent below June 1998. **TOTAL CHEESE** output (excluding cottage cheese) was 612.1 million pounds, 0.2 percent below July 1997 and 4.5 percent below June 1998. **NONFAT DRY MILK** production, for human food, totaled 90.0 million pounds, 19.4 percent below July 1997 and 13.6 percent below June 1998. **DRY WHEY** production, for human food, was 97.6 million pounds, 1.2 percent above July 1997 and 1.5 percent above June 1998. **ICE CREAM** (hard) production totaled 87.5 million gallons, 2.0 percent above July 1997 but 1.0 percent below June 1998.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JUL 1998	PERCENT CHANGE FROM:			PRODUCT	JUL 1998	PERCENT CHANGE FROM:		
	1,000 LBS.	JUL 1997	JUN 1998	YEAR TO DATE 1/		1,000 LBS.	JUL 1997	JUN 1998	YEAR TO DATE 1/
BUTTER	67,012	-16.3	-7.7	-9.9	DRY BUTTERMILK	2,828	-6.0	-18.3	---
CHEESE					YOGURT (PLAIN AND FLAVORED)	123,753	-2.6	-16.9	---
AMERICAN TYPES 2/	* 277,840	-2.6	-3.5	0.1	CONDENSED WHEY, SOLIDS CONTENT 8/				
CHEDDAR	220,281	-3.9	-3.3	-1.3	SWEET-TYPE, HUMAN FOOD	9,739	10.1	-2.5	---
SWISS	18,614	3.2	2.2	---	SWEET-TYPE, ANIMAL FEED	2,414	5.4	8.1	---
BRICK & MUENSTER	8,139	-15.2	-13.2	---	DRY WHEY PRODUCTS				
CREAM & NEUFCHATEL	46,384	6.3	-14.3	---	DRY WHEY, HUMAN FOOD	97,617	1.2	1.5	---
BLUE	4,162	42.7	18.6	---	DRY WHEY, ANIMAL FEED	6,037	14.6	-22.2	---
HISPANIC	6,724	16.8	11.2	---	REDUCED LACTOSE AND MINERALS				
MOZZARELLA	192,092	2.1	-2.9	3.7	HUMAN FOOD	6,581	51.5	18.1	---
OTHER ITALIAN TYPES	48,241	-2.5	-9.9	3.9	ANIMAL FEED	2,816	16.8	-2.4	---
TOTAL ITALIAN TYPES	240,333	1.2	-4.4	4.3	LACTOSE, HUMAN FOOD & ANIMAL FEED	40,075	2.1	6.2	---
ALL OTHER TYPES 3/	9,903	-5.0	-6.7	---	WHEY PROTEIN CONCENTRATE				
TOTAL	612,099	-0.2	-4.5	2.2	HUMAN FOOD	22,304	30.7	5.7	---
COTTAGE CHEESE, CURD 4/	40,182	2.9	3.8	---	ANIMAL FEED	3,828	29.1	16.6	---
COTTAGE CHEESE, CREAMED 5/	34,038	5.6	10.4	1.7	FROZEN PRODUCTS		1,000 GALLONS	PERCENT CHANGE FROM:	
COTTAGE CHEESE, LOWFAT 6/	32,151	3.9	6.8	3.1	ICE CREAM (HARD)	87,508	2.0	-1.0	1.0
CANNED EVAPORATED & CONDENSED					ICE CREAM, LOWFAT (HARD)	9,601	-0.2	-4.6	---
WHOLE MILK	38,297	-11.3	-11.1	---	ICE CREAM, LOWFAT (SOFT)	28,944	-7.4	1.7	---
DRY WHOLE MILK	11,036	0.7	-13.6	---	ICE CREAM, LOWFAT (TOTAL)	38,545	-5.7	---	-8.4
NONFAT DRY MILK, HUMAN FOOD	7/ 90,014	-19.4	-13.6	-7.0	SHERBET (HARD)	5,237	-0.8	-0.5	-3.3
DRY SKIM MILK, ANIMAL FEED	434	-4.6	-17.2		YOGURT	8,467	-16.3	0.7	-11.5

MANUFACTURERS' STOCKS, END OF MONTH 9/

PRODUCT	JUL 1998	PERCENT OF:		PRODUCT	JUL 1998	PERCENT OF:	
	1,000 LBS.	JUL 1997	JUN 1998		1,000 LBS.	JUL 1997	JUN 1998
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	36,616	6.7	8.6	HUMAN FOOD	13,071	54.9	4.2
DRY WHEY, ANIMAL FEED	3,664	6.4	0.2	ANIMAL FEED	1,097	11.0	-6.5
REDUCED LACTOSE & MINERALS--HUMAN & ANIMAL 10/	12,255	-6.6	5.3	CANNED EVAPORATED & CONDENSED WHOLE MILK	49,577	34.4	13.7
LACTOSE, HUMAN FOOD & ANIMAL FEED	32,988	27.7	-4.3	DRY WHOLE MILK	7,285	25.0	3.5
DRY BUTTERMILK, TOTAL	4,654	32.9	-13.9	NONFAT DRY MILK FOR HUMAN FOOD	115,343	-27.3	-10.8
				DRY SKIM MILK FOR ANIMAL FEED	1,107	-4.7	30.1

1/ 1998 cumulative as percent change of 1997 cumulative. 2/ Whole milk cheese, including Cheddar, colby, washed curd, stirred curd, monterey and jack. 3/ Does not include part skim cheese beginning January 1996 or Hispanic cheese beginning June 1996. 4/ Mostly used for processing into creamed or lowfat cottage cheese. 5/ Fat content 4 percent or more. 6/ Fat content less than 4 percent. 7/ Includes combined Minnesota and Wisconsin production of 1,015,000 lbs. 8/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 9/ Stocks held by manufacturers at all points and in transit. 10/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations. *Includes combined Minnesota and Wisconsin production of 126,539,000 lbs.

SOURCE: "Dairy Products," Da 2-6 (9-98), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

FEDERAL MILK ORDER MINIMUM CLASS PRICE HIGHLIGHTS

BASIC FORMULA PRICE. The Basic Formula Price for August 1998 is \$14.99 per hundredweight at 3.5 percent butterfat. The August Basic Formula Price is the July base month Minnesota-Wisconsin (M-W) price of \$14.29 at 3.5 percent plus a change of \$0.70, which is the change in the butter/powder/cheese formula from July to August 1998. The August 1998 Basic Formula Price is \$0.22 more than last month and \$2.92 more than the August 1997 Basic Formula Price. This Basic Formula Price is the Class III price for August 1998 and is to be used in October 1998 for establishing minimum Class I (fluid use) prices and minimum Class II prices under Federal milk orders. To arrive at the minimum Class I price for each market, a Class I differential, ranging from \$1.20 in the Upper Midwest order to \$4.18 in the Southeastern Florida order, is added to this basic formula price. To arrive at the minimum Class II price for all markets, a differential of \$0.30 is added to this basic formula price. For those orders which adjust blend prices for butterfat contents varying from 3.5 percent, the producer butterfat differential per 0.1 percent butterfat is 24.5 cents. **MILK COMPONENT CONTENTS.** For the July 1998 base month M-W price, the butterfat content was 3.55 percent, protein 3.05 percent, and solids-not-fat 8.47 percent. For the August 1998 Basic Formula Price, the butterfat content was 3.57 percent, protein 3.09 percent, and solids-not-fat 8.46 percent.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT*1/														
FEDERAL MILK ORDER MARKETING AREAS 2/	ORDER NUMBER	AUGUST								SEPTEMBER			OCTOBER	
		PRICE PER 100 POUNDS								PRICE PER 100 POUNDS				
		CLASS I		CLASS II		CLASS III		CLASS III-A		CLASS I		CLASS II	CLASS I	CLASS II
		1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1998	1998
		DOLLARS								DOLLARS				
New England (Boston)	1 3/	16.34	13.98	13.40	11.04	15.09	12.17	16.62	11.98	18.01	14.10	15.07	18.23	15.29
New York/New Jersey (NY City)	2 4/	16.24	13.88	13.48	11.12	15.17	12.25	16.70	12.06	17.91	14.00	15.15	18.13	15.37
Middle Atlantic (Philadelphia/ Baltimore/Washington, DC)	4 5/	16.13	13.77	13.40	11.04	15.11	12.19	16.64	12.00	17.80	13.89	15.07	18.02	15.29
Carolina (Charlotte)	5	16.18	13.82	13.40	11.04	14.99	12.07	16.52	11.88	17.85	13.94	15.07	18.07	15.29
Southeast (Atlanta/Birmingham)	7	16.18	13.82	13.40	11.04	14.99	12.07	16.52	11.88	17.85	13.94	15.07	18.07	15.29
Upper Florida (Jacksonville/Tallahassee)	6	16.68	14.32	13.40	11.04	14.99	12.07	---	---	18.35	14.44	15.07	18.57	15.29
Tampa Bay	12	16.98	14.62	13.40	11.04	14.99	12.07	---	---	18.65	14.74	15.07	18.87	15.29
Southeastern Florida (Miami)	13	17.28	14.92	13.40	11.04	14.99	12.07	---	---	18.95	15.04	15.07	19.17	15.29
Michigan Upper Peninsula (Marquette)	44	14.45	12.09	13.40	11.04	14.99	12.07	16.52	11.88	16.12	12.21	15.07	16.34	15.29
Southern Michigan (Detroit)	40 6/	14.85	12.49	13.40	11.04	14.99	12.07	16.52	11.88	16.52	12.61	15.07	16.74	15.29
E. Ohio/W. PA. (Cleveland/Pittsburgh)	36	15.10	12.74	13.40	11.04	14.99	12.07	16.52	11.88	16.77	12.86	15.07	16.99	15.29
Ohio Valley (Columbus)	33	15.14	12.78	13.40	11.04	14.99	12.07	16.52	11.88	16.81	12.90	15.07	17.03	15.29

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT*1/														
FEDERAL MILK ORDER MARKETING AREAS 2/	ORDER NUMBER	AUGUST								SEPTEMBER			OCTOBER	
		PRICE PER 100 POUNDS								PRICE PER 100 POUNDS				
		CLASS I		CLASS II		CLASS III		CLASS III-A		CLASS I		CLASS II	CLASS I	CLASS II
		1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1998	1998
		DOLLARS								DOLLARS				
Indiana (Indianapolis)	49	15.00	12.64	13.40	11.04	14.99	12.07	16.52	11.88	16.67	12.76	15.07	16.89	15.29
Chicago Regional	30	14.50	12.14	13.40	11.04	14.99	12.07	16.52	11.88	16.17	12.26	15.07	16.39	15.29
Central Illinois (Peoria)	50	14.71	12.35	13.40	11.04	14.99	12.07	---	---	16.38	12.47	15.07	16.60	15.29
S. Illinois/E. Missouri (Alton)	32	15.02	12.66	13.40	11.04	14.99	12.07	---	---	16.69	12.78	15.07	16.91	15.29
Louisville/Lexington/Evansville	46	15.21	12.85	13.40	11.04	14.99	12.07	16.52	11.88	16.88	12.97	15.07	17.10	15.29
Upper Midwest (Minneapolis)	68	14.30	11.94	13.40	11.04	14.99	12.07	16.52	11.88	15.97	12.06	15.07	16.19	15.29
E. South Dakota (Sioux Falls)	76	14.60	12.24	13.40	11.04	14.99	12.07	---	---	16.27	12.36	15.07	16.49	15.29
Iowa (Des Moines)	79	14.65	12.29	13.40	11.04	14.99	12.07	16.52	11.88	16.32	12.41	15.07	16.54	15.29
Nebraska/W. IA. (Omaha/Sioux City)	65	14.85	12.49	13.40	11.04	14.99	12.07	16.52	11.88	16.52	12.61	15.07	16.74	15.29
Greater Kansas City	64	15.02	12.66	13.40	11.04	14.99	12.07	---	---	16.69	12.78	15.07	16.91	15.29
Southwest Plains (Oklahoma City)	106	15.87	13.51	13.40	11.04	14.99	12.07	16.52	11.88	17.54	13.63	15.07	17.76	15.29
Texas (Dallas)	126	16.26	13.90	13.40	11.04	14.99	12.07	16.52	11.88	17.93	14.02	15.07	18.15	15.29
Eastern Colorado (Denver)	137	15.83	13.47	13.40	11.04	14.99	12.07	---	---	17.50	13.59	15.07	17.72	15.29
Western Colorado (Grand Junction)	134	15.10	12.74	13.40	11.04	14.99	12.07	---	---	16.77	12.86	15.07	16.99	15.29
SW Idaho/Eastern Oregon (Boise)	135	14.60	12.24	13.40	11.04	14.99	12.07	16.59	11.74	16.27	12.36	15.07	16.49	15.29
Great Basin (Salt Lake City)	139	15.00	12.64	13.40	11.04	14.99	12.07	---	---	16.67	12.76	15.07	16.89	15.29
Central Arizona (Phoenix)	131	15.62	13.26	13.40	11.04	14.99	12.07	16.59	11.74	17.29	13.38	15.07	17.51	15.29
New Mexico/West Texas (Albuquerque)	138	15.45	13.09	13.40	11.04	14.99	12.07	16.52	11.88	17.12	13.21	15.07	17.34	15.29
Pacific Northwest (Seattle/Portland)	124	15.00	12.64	13.40	11.04	14.99	12.07	16.59	11.74	16.67	12.76	15.07	16.89	15.29
SIMPLE AVERAGE	---	15.42	13.06	13.40	11.04	15.00	12.08	16.55	11.88	17.09	13.18	15.07	17.31	15.29

* To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. For example, the minimum Class I price in Boston (the New England market) in October 1998 is \$18.23 per 100 pounds or \$1.57 per gallon (\$18.23 divided by 11.63 equals \$1.5675).

1/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order resumed effective June 1, 1996. This assessment applies to all persons who process and market more than 500,000 pounds of fluid milk products in consumer-type packages in the 48 contiguous States and the District of Columbia during the month.

2/ Names in parentheses are principal cities and pricing points of markets.

3/ Zone 1, Boston. Class I price at 201-210 mile zone--72 cents less.

4/ New York City metropolitan area. Prices at 201-210 mile zone: Class I - 72 cents less, Class II - 8 cents less, Class III - 8 cents less, and Class III-A - 8 cents less.

5/ Prices exclude a 6-cent direct delivery differential applicable to milk delivered to Philadelphia.

6/ Prices exclude a 10-cent direct delivery differential applicable to milk delivered to Detroit metropolitan area.

CCC PURCHASES OF DAIRY PRODUCTS

FOR THE WEEK OF SEPTEMBER 7 - 11, 1998				CUMULATIVE TOTALS				UNCOMMITTED INVENTORIES	
TOTAL		CONTRACT	ADJUSTED	SINCE		SAME PERIOD		PERIOD ENDING	SAME PERIOD
PURCHASES	ADJUSTMENTS		PURCHASES	10/01/97	LAST YEAR			09/04/98	LAST YEAR
BUTTER									
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE									
Block	-0-	-0-	-0-	-0-	-0-	330,284	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	392,874	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	1,184,400	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	1,907,558	-0-	-0-	-0-
NONFAT DRY MILK									
Nonfortified	-0-	2,241,894	-2,241,894	122,534,179	22,681,210	-0-	-0-	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	2,241,894	-2,241,894	122,534,179	22,681,210	-0-	-0-	-0-	-0-

MILK EQUIVALENT, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT*	SKIM**		MILKFAT*	SKIM**
	<u>BASIS</u>	<u>SOLIDS</u>		<u>BASIS</u>	<u>SOLIDS</u>
WEEK OF SEPTEMBER 7 - 11, 1998 =	-0.5	26.1	COMPARABLE WEEK IN 1997 =	0.9	48.6
CUMULATIVE SINCE OCTOBER 1, 1997 =	27.0	1,426.3	CUMULATIVE SAME PERIOD LAST YEAR =	22.6	282.9
CUMULATIVE JANUARY 1 - SEPTEMBER 11, 1998 =	25.2	1,334.9	COMPARABLE CALENDAR YEAR 1997 =	22.6	282.9

* Factors used for Milkfat Solids Basis: Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
**Factors used for Skim Solids Basis: Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/97 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL									
REGION	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1996/97
MIDWEST	-0-	-0-	-0-	1,514,684	11,550,729	-0-	9.4	61.9	
WEST	-0-	-0-	-0-	392,874	110,696,907	22,681,210	90.4	38.1	
EAST	-0-	-0-	-0-	-0-	286,543	-0-	0.2	0.0	
TOTAL	-0-	-0-	-0-	1,907,558	122,534,179	22,681,210	100.0	100.0	

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1998

MANUFACTURING MILK: Average Test 3.67% - \$10.05 per cwt.; 3.5% - \$9.95

DOLLARS PER POUND

BUTTER: Bulk \$.6500; 1# Prints \$.6800
CHEESE: 40 & 60# Blocks \$1.1150; 500# Barrels \$1.0850; Process American 5# \$1.1675; Process American 2# \$1.2075
NONFAT DRY MILK: Nonfortified \$1.0280; Fortified \$1.0380; Instant \$1.1855

Dairy Cow & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 08/22/98 & Comparable Week 1997 1/ 2/																												
											:	U.S. TOTAL	:	% DAIRY OF ALL														
Regions*	:	1	:	2	:	3	:	4	:	5	:	6	:	7	:	8	:	9	:	10	:	WEEK :SINCE JAN 1:	WEEK : SINCE JAN 1					
1998-Dairy cows HD (000)	:	0.3	:	1.6	:	6.0	:	5.4	:	17.3	:	2.4	:	2.5	:	1.1	:	9.3	:	2.6	:	48.5	:	1,726.1	:	45.2	:	45.8
1997-Dairy cows HD (000)	:	0.4	:	1.5	:	6.0	:	6.1	:	21.7	:	3.1	:	3.8	:	1.3	:	9.2	:	3.0	:	56.1	:	1,867.6	:	47.6	:	45.9
1998-All cows HD (000)	:	0.3	:	1.6	:	8.3	:	15.7	:	24.0	:	17.8	:	15.9	:	5.3	:	11.8	:	6.6	:	107.2	:	3,766.8	:		:	
1997-All cows HD (000)	:	0.4	:	1.5	:	8.3	:	16.9	:	30.1	:	16.5	:	18.5	:	6.8	:	11.9	:	7.0	:	117.9	:	4,072.0	:		:	

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.
1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CCC MARKET PRICE PURCHASES 8/27

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/97 = 87,760,540 CUMULATIVE TOTAL NDM PURCHASES SINCE 10/1/97 = 85,979

BASIC FORMULA PRICE (BFP), MAY 1995* TO DATE & HISTORIC M-W (3.5% BF, \$/CWT.)												
YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
1994	12.41	12.41	12.77	12.99	11.51	11.25	11.41	11.73	12.04	12.29	11.86	11.38
1995	11.35	11.79	11.89	11.16	*11.12	11.42	11.23	11.55	12.08	12.61	12.87	12.91
1996	12.73	12.59	12.70	13.09	13.77	13.92	14.49	14.94	15.37	14.13	11.61	11.34
1997	11.94	12.46	12.49	11.44	10.70	10.74	10.86	12.07	12.79	12.83	12.96	13.29
1998	13.25	13.32	12.81	12.01	10.88	13.10	14.77	14.99				